

Exclusive

## Report sees Fayetteville Shale as strong producer for decades

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According to a new report from the **Bureau of Economic Geology** at the University of Texas at Austin, the Fayetteville Shale will remain a major producer of natural gas for the next several decades.

In the report, the second in a four-part series sponsored by the Alfred P. Sloan Foundation and published in the Jan. 6 edition of the Oil & Gas Journal, the authors estimate that the Fayetteville Shale has technically recoverable gas reserves of 38 Tcf, of which 18 Tcf will be economically feasible to recover at natural gas prices near \$4/Mcf.

Scott Tinker, director of the **Bureau of Economic Geology** and a principal investigator for the study, told SNL Energy that while not all areas of the Fayetteville Shale would allow for producers to make a profit with prices near \$4/Mcf, "we think the Fayetteville has a lot of opportunities in the \$4[/Mcf] range," he said. "There's still more good work to be done in the Fayetteville."

Tinker said activity in the older, larger Barnett Shale served as a learning opportunity for drillers in the Fayetteville.

"The drilling is a lot more systematic," he said. "They are able to take a little bit more organized approach than in the Barnett; they learned a lot from that experience. There are more north-south wells in the Fayetteville, while in the Barnett, they're more scattered. I think you'll see a more organized drainage and recovery in the Fayetteville."

Tinker said the geology of the Fayetteville is more complex than in the Barnett, but that could actually work to its advantage.

"There are some more faults than in the Barnett, and the return is increased by the faults," he said. "There's also a little more clay, and that works against you a bit, and there's some depth and pressure variation across it."

The report noted that the varying geology in the play makes some regions of the Fayetteville more cost-effective than others, but Tinker said easier drilling does not always make a well more profitable.

"You have to marry the price of the wells with the geography," he said. "It's not always the cheapest wells that are the best, but you're looking for something married with the good rock."

Even though the report's pricing scenario of \$4/Mcf gas indicates that production would peak between 2012 and 2015 and start a gradual decline as the annual well count decreases, Tinker said he is optimistic when it comes to the Fayetteville's future if the demand for natural gas increases.

"It's certainly a terrific play in many ways. We really don't know what the future holds," he said. "There's certainly an increased demand for natural gas as gas replaces coal in power, and more talk of gas in transportation in the long term. Potentially, we could see a few more LNG export facilities. So you can feel the demand pulling on natural gas. ... The supply and demand is starting to even out, so there should be a price lift."

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